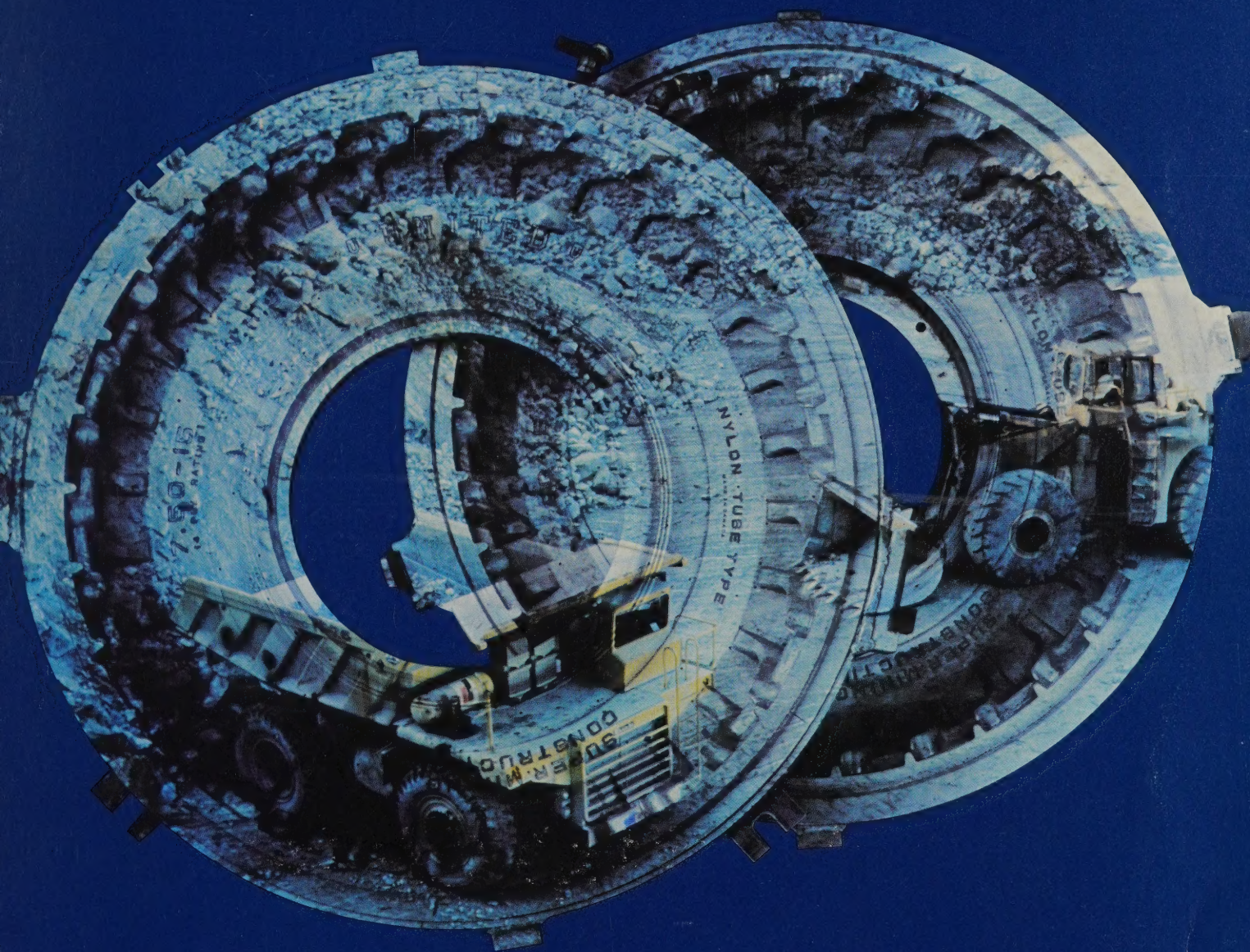




Where You Are, We Are

United tires are now sold in over 60 countries with dealers in more than 50, and as our international organization grows, so does our reputation. All over the world, however tough the conditions, our customers are finding the United combination of design, quality and service tough to beat.

In the years to come, the international demand for products made from the earth's resources will increase dramatically. So will the pace of construction and transportation. Wherever you find these products and industries, you'll find United.

As the demand grows, United Tire will grow to meet it, continuing to afford our customers:

"the finest products possible, with a minimum of downtime, at the lowest end cost."

United tires are on the job in these countries:

Argentina	France	Luxembourg	Suriname
Austria	French Guyana	Malaysia	Sweden
Australia	Gabon	Mexico	Tanzania
Bangladesh	Germany	Morocco	Tasmania
Belgium	Greece	New Guinea	Taiwan
Bolivia	Guatemala	New Zealand	Thailand
Borneo	Guinea-Bissau	Nigeria	Togo
Cameroon	Guyana	Pakistan	Trinidad
Canada	Honduras	Peru	Tunisia
Cape Verde Islands	Iceland	Philippines	Turkey
the Caribbean	India	Poland	United Kingdom
Chile	Indonesia	Saudia Arabia	United States
China	Ireland	Singapore	Venezuela
Columbia	Israel	South Africa	Zaire
Denmark	Italy	Soviet Union	
Ecuador	Jamaica	Spain	
Finland	Japan	Sri Lanka (Ceylon)	



Officers

Robert Scolnick
**Chairman of the Board and
Chief Executive Officer**

Charles Sherkin
President

Eugene Yerkey
Vice President, Manufacturing

James Dow
Vice President, Branch Administration

John McClure
Vice President, Sales

Robert Sherkin
Vice President, Marketing

Raymond Luxon, C.A.
Chief Financial Officer

Joseph Frieberg
Secretary

Board of Directors

Herb Abramson
Monty Bridgman
Donald Carr, Q.C.
Joseph Frieberg
William Perdriau
Robert Scolnick
Charles Sherkin
George Watt
Donald Wilkins

Transfer Agent and Registrar

Guaranty Trust Company of Canada

Auditors

Wm. Eisenberg & Co.
Toronto, Canada

Head Office

275 Belfield Road
Rexdale, Ontario
M9W 5C6

Highlights

	1980	1979
Sales	\$56,957,000	\$47,967,000
Earnings before income taxes	2,091,000	2,438,000
Income taxes	621,000	944,000
Net earnings	1,470,000	1,494,000
Basic earnings per common share	50.5¢	51.4¢
Cash flow from operations	3,819,000	4,465,000
Total assets	40,198,000	34,666,000
Working capital	7,966,000	8,253,000
Long-term debt	10,852,000	10,174,000
Net worth	8,490,000	7,557,000
Working capital ratio	1.4:1	1.6:1
Capital expenditures	4,327,000	4,750,000
Depreciation and amortization	2,409,000	1,963,000

Company Profile

United Tire and Rubber Co. Limited was incorporated in September 1970 under the laws of Ontario.

United Tire is the largest Canadian manufacturer and retreader of Off-the-Road tires, supplying the mining, forestry, and construction industries. We also purchase passenger and truck tires for resale to the transportation industry.

With our facilities in Rexdale and Cobourg, Ontario, together with our world-wide service and distribution organization, we provide service to a growing list of customers.

The Company employs 650 people and our distribution system includes 30 branches and over 250 vehicles in Canada and the United States.

To Our Shareholders

Sales for the year ended December 31, 1980 increased to a record \$56,957,000 from \$47,967,000 in 1979. Earnings which declined slightly to \$1,470,000 from \$1,494,000 were the second highest in the Company's history (excluding extraordinary income).

The significance of the past year for United Tire extends beyond the financial results. We continued our program of geographical diversification which was referred to in last year's report to the shareholders. Our international sales rose to \$25,815,000 representing 45% of our total sales and by 1982 we expect that 50% of our sales will be to customers outside Canada.

The Company's penetration of the original equipment market also continued to increase with sales to original equipment manufacturers reaching \$15,730,000 (of which \$7,700,000 are included in international sales).

In 1980 we continued to improve the efficiency of our manufacturing facilities which resulted in the production of better quality products. This can be directly attributed to our continued investment in plant and equipment and to an extensive training program given to our employees which generated a better understanding of their roles in assuring the quality of our products and service.

During the year we continued our program of upgrading and expanding our marketing organization. Our branch system was expanded by the opening of new branches in Tonopah and Ely, Nevada; Kingwood, West Virginia; Home, Pennsylvania; Sydney, Nova Scotia; Fredericton, New Brunswick; and Thetford Mines, Quebec. Our sales and product management team is being strengthened which will result in better supervision of our branches. We anticipate that the resultant improvement in all aspects of marketing operations will contribute significantly to the Company's ability to achieve its 1981 projections.

Our corporate goals cannot be met without the concentrated effort and commitment of our employees and we are proud of the contribution they have made to our success. Our ability to compete with the large multinational tire manufacturers is dependent to a large degree upon the continued dedication and enthusiasm of these employees. To these dedicated people we express deepest gratitude on behalf of management, the board and the shareholders.

In conclusion, 1980 was a good year for United Tire and we are proud of the Company's accomplishments in the past year. The prospects for 1981 and beyond are for continued growth and higher sales and earnings.

Robert Scolnick
Chairman

May 21, 1981

Charles Sherkin
President

United Tire & Rubber Co. Limited

Statement of Earnings

For the year ended December 31, 1980

	1980	1979
Sales	\$56,957,000	\$47,967,000
Cost of sales and expenses		
Cost of sales, operating and administrative expenses before the undernoted items:	49,776,000	41,571,000
Depreciation	1,819,000	1,580,000
Amortization of equipment under capital leases	590,000	383,000
Interest on obligations under capital leases	331,000	243,000
Interest on other long-term debt	1,325,000	1,086,000
Other interest	1,025,000	666,000
	54,866,000	45,529,000
Earnings before income taxes	2,091,000	2,438,000
Income taxes (note 9)	621,000	944,000
Net earnings (note 10)	\$ 1,470,000	\$ 1,494,000

Statement of Retained Earnings

For the year ended December 31, 1980

	1980	1979
Retained earnings, beginning of year	\$ 2,970,000	\$ 2,523,000
Net earnings for year	1,470,000	1,494,000
	4,440,000	4,017,000
Dividends – First preference shares	99,000	466,000
– Second preference shares	100,000	330,000
– Common shares	252,000	251,000
Premium on purchase of First preference shares	2,000	–
	453,000	1,047,000
Retained earnings, end of year	\$3,987,000	\$ 2,970,000

United Tire & Rubber Co. Limited

Statement of Changes in Financial Position

For the year ended December 31, 1980

	1980	1979
Source of working capital		
Operations		
Net earnings	\$ 1,470,000	\$ 1,494,000
Items not affecting working capital:		
Depreciation	1,819,000	1,580,000
Amortization of equipment under capital leases	590,000	383,000
Deferred income taxes	(75,000)	839,000
Other	15,000	169,000
	3,819,000	4,465,000
Disposal of fixed assets	56,000	42,000
Issue of long-term debt	1,949,000	4,765,000
Obligations under capital leases	913,000	942,000
Other	33,000	(192,000)
	6,770,000	10,022,000
Use of working capital		
Acquisition of fixed assets including equipment under capital leases	4,327,000	4,750,000
Reduction of long-term debt	1,422,000	1,418,000
Reduction of obligations under capital leases	764,000	587,000
Dividends	451,000	1,047,000
Purchase of first preference shares	93,000	6,000
Financing costs	—	157,000
	7,057,000	7,965,000
(Decrease) increase in working capital	\$ (287,000)	\$ 2,057,000
Working capital, end of year	\$ 7,966,000	\$ 8,253,000
Working capital, beginning of year	8,253,000	6,196,000
(Decrease) increase in working capital	\$ (287,000)	\$ 2,057,000

Balance Sheet

December 31, 1980

	1980	1979
Assets		
Current assets		
Cash	\$ 285,000	\$ 902,000
Marketable securities, at cost which approximates market	78,000	57,000
Accounts receivable	12,207,000	11,085,000
Inventories (note 3)	13,747,000	10,567,000
Prepaid expenses	353,000	350,000
	26,670,000	22,961,000
Fixed assets (note 4)		
Land, buildings, equipment and leasehold improvements	22,509,000	19,115,000
Less: Accumulated depreciation	11,573,000	9,758,000
	10,936,000	9,357,000
Equipment under capital leases	3,271,000	2,453,000
Less: Accumulated amortization	1,108,000	579,000
	2,163,000	1,874,000
	13,099,000	11,231,000
Other assets (note 5)	429,000	474,000
	\$40,198,000	\$34,666,000

Balance Sheet

December 31, 1980

	1980	1979
Liabilities		
Current liabilities		
Bank indebtedness (note 6)	\$ 8,545,000	\$ 6,390,000
Accounts payable and accrued liabilities	7,169,000	6,260,000
Income taxes payable	651,000	—
Dividends payable	301,000	302,000
Current portion of long-term debt	2,038,000	1,756,000
	18,704,000	14,708,000
Long-term debt (note 7)	10,852,000	10,174,000
Deferred income taxes	2,152,000	2,227,000
Shareholders' Equity		
Capital stock (note 8)	4,503,000	4,587,000
Retained earnings	3,987,000	2,970,000
	8,490,000	7,557,000
	\$40,198,000	\$34,666,000

On behalf of the Board
 Robert Scolnick, **Director**
 Charles Sherkin, **Director**

United Tire & Rubber Co. Limited
Notes to Financial Statements

December 31, 1980

1. AMALGAMATION

The company is the continuing corporation formed on the amalgamation on December 31, 1979 of United Tire & Rubber Co. Limited and its wholly-owned subsidiary, United Tire & Rubber Mfg. (Toronto) Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories

Raw materials are valued at the lower of cost and replacement cost and work-in-process and finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Fixed assets

Fixed assets are recorded at cost and are depreciated on the straight-line method at rates sufficient to amortize the cost of the assets over their estimated useful lives as follows:

<u>Classification</u>	<u>Estimated useful life</u>
Buildings	20 years
Equipment	5 to 10 years
Leasehold improvements	Term of lease to a maximum of 20 years
Equipment under capital leases	5 years

Leases

Leases entered into by the company which by their terms transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of assets and the incurrence of obligations. These assets are amortized on the straight-line method and the related obligations including interest thereon are liquidated over the terms of the leases.

All other leases are accounted for as operating leases and the rental costs are expensed as incurred.

Financing costs

Financing costs are amortized on the straight-line method over the term of the related debt.

Research and development

Expenses associated with research and development are written off in the year in which they are incurred.

Pension plan

Pension costs included in the statement of earnings represent current and past service contributions. There is no unfunded past service liability.

Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates prevailing at the transaction dates. Current assets and current liabilities are translated into Canadian dollars at exchange rates prevailing at balance sheet date.

Income taxes

Investment tax credits are accounted for using the flow through method whereby income tax expense is reduced by the amount of credits deducted from income taxes otherwise payable.

Earnings per common share

Earnings per common share are calculated using the weighted average number of shares outstanding during the year. For the purpose of calculating basic earnings per common share, earnings have been reduced by \$199,000 being the annual dividends on all preference shares.

Fully diluted earnings per common share have been calculated on the assumption that all preference shares issued and all stock

options and share purchase warrants outstanding at the end of the year had been converted into common shares at the beginning of the year. Earnings were increased by imputed interest after income taxes assuming that the funds derived from the exercise of the stock options and share purchase warrants were invested to produce an annual return of 15% before income taxes. The number of common shares was adjusted to reflect the additional shares which would have resulted from the foregoing.

3. INVENTORIES

	<u>1980</u>	<u>1979</u>
Finished goods	\$ 9,674,000	\$ 7,849,000
Work-in-process	755,000	509,000
Raw materials	3,318,000	2,209,000
	<u>\$13,747,000</u>	<u>\$10,567,000</u>

4. FIXED ASSETS

	<u>1980</u>	<u>1979</u>
Land	\$ 635,000	\$ 339,000
Buildings	2,116,000	1,029,000
Equipment	18,167,000	16,314,000
Leasehold improvements	1,591,000	1,433,000
	<u>22,509,000</u>	<u>19,115,000</u>
Less: Accumulated depreciation	<u>11,573,000</u>	<u>9,758,000</u>
	<u>10,936,000</u>	<u>9,357,000</u>
Equipment under capital leases	3,271,000	2,453,000
Less: Accumulated amortization	<u>1,108,000</u>	<u>579,000</u>
	<u>2,163,000</u>	<u>1,874,000</u>
	<u>\$13,099,000</u>	<u>\$11,231,000</u>

5. OTHER ASSETS

	<u>1980</u>	<u>1979</u>
Mortgages receivable	\$ 266,000	\$ 120,000
Deferred financing costs	163,000	183,000
Investment in corporate joint venture, equity method	—	171,000
	<u>\$ 429,000</u>	<u>\$ 474,000</u>

During the year the company acquired the business and operating assets of the corporate joint venture.

6. BANK INDEBTEDNESS

Bank indebtedness is secured by a general assignment of book debts and by a \$5,000,000 demand debenture providing a first floating charge over accounts receivable and inventories, and by a floating charge over all other assets, the latter ranking behind the debenture payable referred to in note 7.

7. LONG-TERM DEBT

	<u>1980</u>	<u>1979</u>
Debenture payable	\$ 5,258,000	\$ 5,660,000
Mortgages and finance contracts	4,528,000	3,272,000
Government of Canada	444,000	555,000
Ontario Development Corporation	422,000	441,000
Obligations under capital leases	2,203,000	1,876,000
Other	35,000	126,000
	<u>12,890,000</u>	<u>11,930,000</u>
Less: Current portion	<u>2,038,000</u>	<u>1,756,000</u>
	<u>\$10,852,000</u>	<u>\$10,174,000</u>

United Tire & Rubber Co. Limited

Notes to Financial Statements

December 31, 1980

7. LONG-TERM DEBT (continued)

Principal repayments

Principal repayments of long-term debt are as follows:

1981	\$ 2,038,000
1982	2,050,000
1983	2,605,000
1984	1,756,000
1985	1,145,000
Subsequent years	3,296,000
	<u>\$12,890,000</u>

Debenture payable

The debenture bears interest at the greater of 10% per annum or 2% above the bank prime rate and is repayable in monthly instalments of \$33,500 with the balance due on January 31, 1989. The debenture is secured by a mortgage on certain real property, a fixed charge on all equipment subject to specific encumbrances and a floating charge over all other property and assets.

Mortgages and finance contracts

These obligations are secured by certain real property and equipment, bear interest at an average rate of 12% per annum, and provide for principal repayments from 1981 to 1984.

Government of Canada

This interest-free loan is secured by a first charge on certain equipment and is repayable in annual instalments of \$111,000.

Ontario Development Corporation

This loan is unsecured, bears interest at the rate of 8¼% per annum and is repayable in blended monthly instalments of \$4,000 to maturity in 1993.

8. CAPITAL STOCK

Authorized share capital

1,959,700	First preference shares, par value \$2.25 each, issuable in series of which 859,700 shares have been designated Series A
2,000,000	Second preference shares, par value \$1.25 each, issuable in series of which 800,000 shares have been designated Series A
10,000,000	Common shares, without par value

Issued share capital

	1980	1979
613,233 First preference shares, 7%, cumulative, Series A, each convertible into 1.107 common shares (1979 - 653,533)	\$1,380,000	\$1,471,000
800,000 Second preference shares, 10%, cumulative, Series A, convertible on a one-for-one basis into common shares	1,000,000	1,000,000
2,515,933 Common shares (1979 - 2,510,613)	<u>2,123,000</u>	<u>2,116,000</u>
	<u>\$4,503,000</u>	<u>\$4,587,000</u>

8. CAPITAL STOCK (continued)

Options

The company has reserved 125,000 common shares for issue under its Employee Stock Option Plan. As at December 31, 1980, options for 104,900 common shares were outstanding at prices per share ranging from \$1.25 to \$2.50 and with various expiry dates to 1990.

Warrants

The company has reserved 168,090 common shares for the exercise of outstanding warrants. The bearers of the warrants are entitled to purchase common shares at \$3.50 per share until August 31, 1983.

Purchase obligation

During the year 40,300 first preference shares, Series A, were purchased for cancellation at an average cost of \$2.31 per share under a purchase obligation requiring the company in certain circumstances to purchase first preference shares.

9. INCOME TAXES

	1980		1979	
	Amount	%	Amount	%
Income taxes on earnings at statutory rates	\$1,083,000	51.8	\$1,219,000	50.0
Manufacturing and processing profits deduction	(73,000)	(3.5)	(124,000)	(5.1)
3% inventory allowance for income tax purposes	(139,000)	(6.6)	(129,000)	(5.3)
Investment tax credits	(250,000)	(12.0)	(22,000)	(.9)
	<u>\$ 621,000</u>	<u>29.7</u>	<u>\$ 944,000</u>	<u>38.7</u>

10. EARNINGS PER COMMON SHARE

	1980	1979
Basic earnings per common share after allocating dividends on preference shares	50.5¢	51.4¢
Fully diluted earnings per common share	36.0¢	35.6¢
Average number of common shares outstanding	2,514,980	2,510,238

11. LEASE OBLIGATIONS

Minimum lease payments under capital and operating leases in future years are as follows:

	Capital	Operating
1981	\$ 878,000	\$ 628,000
1982	779,000	558,000
1983	626,000	503,000
1984	310,000	428,000
1985	103,000	330,000
Subsequent years	—	1,237,000
Future minimum lease payments	2,696,000	<u>\$3,684,000</u>
Less: Imputed interest at an average rate of 12% per annum	493,000	
Obligations under capital leases	<u>\$2,203,000</u>	

United Tire & Rubber Co. Limited
Notes to Financial Statements
December 31, 1980

12. SEGMENTED INFORMATION

The company operates one line of business, the manufacturing, retreading and distribution of tires.

Operations and identifiable assets by geographic segments are as follows:

	Canada	U.S.A.	Eliminations	1980 Total
Domestic sales	\$31,142,000	\$13,018,000	\$ —	\$44,160,000
International sales	12,797,000	—	—	12,797,000
Inter-segment transfers	9,447,000	—	(9,447,000)	—
Total sales	<u>\$53,386,000</u>	<u>\$13,018,000</u>	<u>(\$9,447,000)</u>	<u>\$56,957,000</u>
Segment operating profit	<u>\$ 6,784,000</u>	<u>\$ 666,000</u>		<u>\$ 7,450,000</u>
General corporate expenses				3,446,000
Unallocated interest				1,913,000
				<u>5,359,000</u>
Earnings before income taxes				2,091,000
Income taxes				621,000
Net earnings				<u>\$ 1,470,000</u>
Identifiable assets	<u>\$33,725,000</u>	<u>\$ 6,473,000</u>		<u>\$40,198,000</u>
Capital expenditures	<u>\$ 3,624,000</u>	<u>\$ 703,000</u>		<u>\$ 4,327,000</u>
Depreciation and amortization	<u>\$ 2,243,000</u>	<u>\$ 166,000</u>		<u>\$ 2,409,000</u>
				1979 Total
Domestic sales	\$29,240,000	\$10,086,000	\$ —	\$39,326,000
International sales	8,641,000	—	—	8,641,000
Inter-segment transfers	7,088,000	—	(7,088,000)	—
Total sales	<u>\$44,969,000</u>	<u>\$10,086,000</u>	<u>(\$7,088,000)</u>	<u>\$47,967,000</u>
Segment operating profit	<u>\$ 6,042,000</u>	<u>\$ 1,107,000</u>		<u>\$ 7,149,000</u>
General corporate expenses				3,203,000
Unallocated interest				1,508,000
				<u>4,711,000</u>
Earnings before income taxes				2,438,000
Income taxes				944,000
Net earnings				<u>\$ 1,494,000</u>
Identifiable assets	<u>\$29,004,000</u>	<u>\$ 5,662,000</u>		<u>\$34,666,000</u>
Capital expenditures	<u>\$ 4,361,000</u>	<u>\$ 389,000</u>		<u>\$ 4,750,000</u>
Depreciation and amortization	<u>\$ 1,889,000</u>	<u>\$ 74,000</u>		<u>\$ 1,963,000</u>

13. COMMITMENTS

Capital expenditures

The company has approved the acquisition in 1981 of fixed assets including equipment under capital leases in the amount of \$4,100,000; of this amount the company has made commitments for \$1,800,000.

Forward exchange contracts

The company has entered various contracts to sell U.S. \$5,275,000 during 1981 and 1982 at rates averaging Canadian \$1.17 for each U.S. dollar. The spot rate at December 31, 1980 was Canadian \$1.19 for each U.S. dollar.

14. COMPARATIVE FIGURES

The comparative figures have been reclassified where necessary to conform with the current year's presentation.

Auditors' Report

To the Shareholders of
United Tire & Rubber Co. Limited

We have examined the balance sheet of United Tire & Rubber Co. Limited as at December 31, 1980, and the statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 10, 1981

Wm. Eisenberg & Co.
Chartered Accountants

Five Year Financial Summary

(in thousands of dollars)

	1980	1979	1978	1977	1976
Earnings					
Sales	\$56,957	\$47,967	\$38,058	\$31,894	\$28,517
Gross profit	16,622	14,473	11,343	8,229	7,121
Earnings before income taxes	2,091	2,438	2,380	802	136
Net earnings	1,470	1,494	1,805	729	134
Preferred dividends paid (1)	199	796	—	—	—
Common dividends paid	252	251	—	—	—
Performance Statistics					
Gross profit %	29.2%	30.2%	29.8%	25.8%	25.0%
Net earnings % on sales	2.6%	3.1%	3.6%	1.6%	0.3%
Sales/assets ratio	1.4	1.4	1.4	1.4	1.3
Return on total assets (2)	4.2%	5.4%	6.1%	2.4%	0.4%
Return on common share equity (3)	25.0%	31.5%	48.1%	16.6%	(3.2)%
Common share data					
Earnings per share (4)	50.5¢	51.4¢	64.8¢	21.0¢	—
Dividends per common share	10¢	10¢	—	—	—
Equity per common share	\$ 2.43	\$ 2.03	\$ 1.62	\$ 0.97	\$ 0.76
Average number of common shares outstanding	2,514,980	2,510,238	2,509,323	2,509,233	2,508,700
Assets					
Working capital	\$ 7,966	\$ 8,253	\$ 6,196	\$ 4,351	\$ 3,756
Current ratio	1.4:1	1.6:1	1.5:1	1.4:1	1.3:1
Fixed assets	\$25,780	\$21,568	\$15,759	\$13,757	\$12,624
Total assets	40,198	34,666	27,743	22,689	21,555
Shareholders' equity					
Preferred shareholders' equity	\$ 2,380	\$ 2,471	\$ 3,021	\$ 2,868	\$ 2,661
Common shareholders' equity	6,110	5,086	4,095	2,443	1,921
Number of common shares outstanding at year end	2,515,933	2,510,613	2,509,413	2,509,233	2,509,233
Cash flow					
Funds from operations	\$ 3,819	\$ 4,465	\$ 3,620	\$ 1,980	\$ 1,396
Capital expenditures	4,327	4,750	3,349	1,257	942
Depreciation and amortization	2,409	1,963	1,484	1,365	1,310

(1) 1979 preferred dividends paid included dividend arrears of \$542,000.

(2) Based on opening assets.

(3) Based on net earnings after preferred dividends and opening equity.

(4) After allocating dividends on preference shares.



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